A REPORT OF THE METROPOLITAN TORONTO ADVISORY TASK FORCE ON ASSESSMENT REFORM

SHARING OF EDUCATION LEVIES

METROPOLITAN TORONTO ADVISORY TASK FORCE ON ASSESSMENT REFORM

REPORT OF THE SUB-COMMITTEE ON SHARING OF THE EDUCATION LEVY

June, 1987

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1. INTRODUCTION

The apportionment of both the general and education levies in Metro Toronto attests to the federation concept instituted through metropolitan government in 1953. The combining of resources for the purpose of financing both municipal and education services has provided the basis for ensuring that all member municipalities obtained access to a uniform level of services, notwithstanding their relative wealth. In recent years, however, the education levy has come under close scrutiny because the relative contributions of some area municipalities exceed their direct need as measured by expenditures. In October 1986, Metro Council requested the Metropolitan Toronto Advisory Task Force on Assessment Reform to examine the matter of the amount and distribution of the education levy in Metro Toronto.

1.1 Establishment of the Sub-Committee

The Sub-Committee on Sharing of the Education Levy (the Sub-Committee) was created to examine more closely the financing of the education levy in Metro Toronto and to report to the Advisory Task Force on any possible means of its reformulation. The Sub-Committee consisted of representatives from the area municipalities, both the Metropolitan Toronto School Board and the Metropolitan Separate School Board, the Ministry of Education and Metro Toronto staff. The Sub-Committee membership is presented in Exhibit 1.

The Sub-Committee excluded the Metropolitan Separate School Board from its analysis of the education levy and focussed only on the Metropolitan Toronto School Board. The Municipality of Metropolitan Toronto Act does not provide for the submission of the Metropolitan Separate School Board's approved estimates to Metro Council. The Metropolitan Separate School Board submits its approved estimates directly to the area municipalities. The Municipality of Metropolitan Toronto Act enpowers Metro Council to raise the required funds for Metropolitan Toronto School Board purposes. In effect, public education is funded on a metropolitan basis and co-ordinated through the Metropolitan Toronto School Board, but is delivered on a local

EXHIBIT 1

SUB-COMMITTEE ON SHARING OF THE EDUCATION LEVY

MEMBERSHIP

David J. Hipgrave	Metro Toronto
	(Sub-Committee Chairman)

Members Listed in Alphabetical Order

David Creech	City of Scarborough
Lionel Feldman	City of Toronto Board of Education
Richard Field	City of Etobicoke
Brian Lenglet	Ministry of Education
Peter Meneguzzi	Metropolitan Separate School Board
Richard Murphy	Metropolitan Separate School Board
Eric Nichols	Borough of East York
Jack Power	Metropolitan Separate School Board
Stan Preston	City of York
Don Timmins	Metropolitan Toronto School Board
Peter Tomlinson	City of Toronto
John Woods	City of Toronto
Ed Zamparo	Metro Toronto

basis through the six area school boards. The analysis and comments regarding the education levy, in this report, therefore, reflect the perspective of the Metropolitan Toronto School Board. Nonetheless, the input of the Metropolitan Separate School Board representatives served as valuable insight in the Sub-Committee deliberations.

In its meetings the Sub-Committee reviewed the existing apportionment of the education levy in Metro Toronto and addressed some of the previous attempts dealing with this particular topic and with education finance in general. Analysis provided by the Metropolitan Toronto School Board regarding the abolition of the School Board and a review of the potential pooling of commercial-industrial assessment across the province for the purpose of funding education expenditures helped to assess the merits of the existing apportionment of the education levy.

2. RELATED EDUCATION LEVY ISSUES

2.1 Apportionment of the Education Levy in Metro Toronto

The Municipality of Metropolitan Toronto Act specifies the method of apportioning the estimated current annual expenditures of the Metropolitan Toronto School Board (the School Board). According to Section 127 (6), the amount levied against the area municipalities for public elementary and secondary school purposes shall be in the proportion that the whole rateable property in each area municipality bears to the whole rateable property in the Metropolitan area, according to the last revised assessment roll.

The apportionment of the education levy on the basis of taxable assessment was established as part of the inception of Metro Toronto in 1953. The sharing of assessment resources has enabled some area school boards to provide education programs which, if funded independently by the area municipalities themselves, would not have been possible or would have required significantly higher mill rates.

> "The combined resources of the entire area are to be made available to support education and to overcome the most serious inequities of the present situation where some parts of the area do not have the financial resources required to provide even the bare essentials in the way of education while others, because of the concentration of non-residential assessment or for other reasons, have taxable resources which in comparison are much greater than their needs."[1]

In addition to the sharing of financial resources across Metro Toronto, the education apportionment process also reflects the weighting of assessments to reduce the burden of taxation on residential properties. Previous to 1984,

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1 Report of the Ontario Municipal Board (Lorne R. Cumming, Chairman) which recommended the establishment of a Metropolitan form of government, January, 1953.

the different ratios of commercial-industrial to residential assessment for each area municipality caused a divergence in mill rates for both general and educational purposes. The impact of using weighted assessment in apportionment is that area municipalities with relatively larger ratios of commercial-industrial to residential assessment will attract a larger share of the total levy.

2.2 Existing Problem

The sharing of the Metro Toronto assessment base has assisted the area municipalities to provide the education services required by their respective communities without undue impact on local ratepayers. However, comparison of each area municipality's needs with the relative amounts that they pay towards financing these needs indicates that not all area municipalities benefit from this apportionment system. The unequal sharing in the apportionment process is a necessary feature if the equalization of financial resources for education purposes is to be achieved.

Both Toronto and Etobicoke contribute relatively more towards the education levy than the other area municipalities, mainly because of their relatively larger commercial-industrial assessment bases. Generally, education expenditures are related to, among other things such as student enrollment, the amount of residential assessment of a municipality. With relatively more commercial-industrial assessment, both Toronto and Etobicoke each have a larger financial resource base from which to fund their education expenditures. The end result is that Toronto and Etobicoke help pay for education services in Scarborough, York and East York, while North York remains relatively neutral. The existing situation is shown in Exhibit 2 where the percentage of the total education levy for Toronto and Etobicoke is greater than their respective percentage of the total education budget.

It should be noted that the relationship indicated in Exhibit 2 would change substantially with a Metro-wide reassessment. Under such a reassessment, Toronto's share of education levies would increase by approximately $65

EXHIBIT 2

COMPARISON OF TOTAL EDUCATION BUDGET AND EDUCATION LEVY BY AREA MUNICIPALITY 1987

AREA MUNICIPALITY	EDUCATION* BUDGET ($000's)	% OF TOTAL	EDUCATION LEVY ($000's)	% OF TOTAL
TORONTO	426,866.9	29.8	539,121.0	41.7
NORTH YORK	318,428.2	22.2	287,665.0	22.2
ETOBICOKE	165,626.0	11.6	198,425.1	15.3
SCARBOROUGH	366,458.2	25.6	183,019.5	14.2
YORK	89,851.0	6.3	42,219.2	3.3
EAST YORK	64,426.2	4.5	42,802.1	3.3
TOTAL	1,431,656.5	100.0	1,293,251.9	100.0

* Includes Metropolitan Toronto School Board Budget apportioned between Area Boards.

Source: Metropolitan Toronto Department of Management Services

million and the other area municipalities share would decline by a corresponding amount.

2.3 Burden of Education Levy Between Properties

It was noted above that both Toronto and Etobicoke are paying a relatively larger portion of the education levy than the other area municipalities. Much of this "overpayment" is attributed to the relatively larger weighted commercial-industrial assessment bases of both area municipalities. The relative size of each area municipality's residential and weighted commercial-residential assessment for education purposes to the class and aggregate total is shown in Exhibit 3.

The relative share of education expenditures incurred by Toronto and Etobicoke (29.8% and 11.6% respectively) are more closely aligned to their relative share of residential assessment (33.2% and 13.0%) than total assessment (41.7% and 15.3%). This suggests that the "overpayments" are borne, for the most part, by the commercial-industrial assessment bases of Toronto and Etobicoke.

2.4 Accountability of Raising Education Levy

The approved School Board estimates are submitted to Metro Council which has the responsibility of raising those funds which are not provided by provincial grants. Section 133(5) of the Municipality of Metropolitan Toronto Act states that Metro Council shall levy each year the moneys required for the year for public elementary and secondary school purposes. Metro Council itself does not have the authority to amend the School Board budget. Metro Council raises the requested education revenues through a uniform education levy against the assessment of the whole Metro Toronto area.

EXHIBIT 3

ASSESSMENTS FOR APPORTIONMENT OF EDUCATION LEVY IN METRO TORONTO FOR 1987

Municipality	Residential Assessment ($000's)	% of Total	% of total Residential Assessment	Commercial/ Industrial Weighted Assessment ($000's)	% of Total	% of of total Commercial Industrial Assessment	Total Assessment ($000's)
Toronto	1,241,559.1	15.1	33.2	2,167,321.7	26.4	48.4	3,408,880.8
North York	967,308.7	11.8	25.9	862,442.1	10.5	19.3	1,829,750.8
Etobicoke	487,214.0	5.9	13.0	691,820.6	8.4	15.5	1,179,034.6
Scarborough	708,498.8	8.6	18.9	558,301.5	6.8	12.5	1,266,800.3
York	168,972.5	2.0	4.8	99,847.2	1.2	2.2	268,819.7
East York	175,819.4	2.1	4.6	94,957.4	1.2	2.1	270,776.8
	3,749,372.5	45.5	100.0	4,474,690.5	54.5	100.0	8,224,063.0

Source: Metropolitan Toronto Department of Management Services

Metro Council has expressed concern over the escalation in the School Board expenditures, particularly in view of the fact that provincial education grants have been declining. In spite of Metro Council's request of the provincial government to assume a greater and more equitable share of elementary and secondary school funding, declining provincial grant support has meant that the burden of financing education has become an increasingly greater Metro Toronto responsibility. In the spring of 1986, the Metro Executive Committee recommended that Metro Council request the area municipalities to include in their tax bills a clear statement explaining the decrease in provincial grants and the resultant impact on the Metro Toronto tax base.

Without legislative recourse to the education levy, Metro Council serves as an intermediary agent between the School Board and the taxpaying electorate. Accordingly, fiscal accountability between the School Board and the electorate is instead transferred to Metro Toronto and the area councils which must requisition the required revenues for primary and secondary school purposes. It should be noted that Metro Council is the only regional government in Ontario that directly receives the School Board estimates which it must approve and apportion over the area municipalities. In the other regions, the area school boards apportion the levy directly to their respective area municipalities.

3. ANALYSIS OF THE SUB-COMMITTEE

In its efforts to examine possible modifications of the existing apportionment system, the Sub-Committee reviewed the findings of the Royal Commission on Metropolitan Toronto (the Robarts Commission) and the Commission on the Financing of Elementary and Secondary Education in Ontario (the Macdonald Commission). Together, the work of these two Commissions embodies some of the most significant treatments of education financing options in Ontario. The Sub-Committee sought to determine the general applicability of the Commissions' findings for Metro Toronto.

3.1 Position Taken by the Robarts Commission

In its examination of the role and function of the Metropolitan Toronto School Board, the Robarts Commission discussed the possibility of abolishing it and transferring its responsibilities to the area school boards. The Robarts Commission cited that the School Board offered many advantages particularly:

- equalization in educational expenditures and revenues;
- provision of special programs (e.g. programs for mentally retarded children);
- fosters co-ordination and co-operation among area school boards;
- conducts labour negotiations;
- represents area school boards in its dealings with the provincial government.

The main consideration behind recommending the abolition of the School Board was not the School Board's failure to perform its responsibilities, but instead, the primary reason for its establishment - to deal with the rapid expansion of the education system - no longer existed and that its continuing role - the equitable distribution of funds - could be achieved through the provincial grant system. At the time of the writing of the Robarts Report,

there was not the spending beyond provincial grant ceilings which is evident today. The grant formulas established then worked well, but now do not provide sufficient funding for existing school board expenditures. In light of this increased spending, the Robarts Commission analysis of the effectiveness of provincial grants might perhaps result in a rethinking of the dissolution of the School Board or the reworking of grant formulas.

The major financial change associated with the dissolution of the School Board is that the apportionment of the education levy would be removed and that the area municipalities would then be responsible for financing their own individual area school board expenditures. In addition, within existing legislation, the Province would establish a system of grants applying directly to the six individual Boards, as discussed in the next section.

3.1.1 Affect on Provincial Grants

The dissolution of the School Board would lead to changes in the payment of provincial grants for school purposes. Essentially, all provincial grants for education purposes would be paid directly to the area school boards and the result is shown in Exhibit 4. The aggregate amount of provincial grants paid individually to the area school boards is estimated to be approximately $5.5 million less than the amount received under the existing system. In this analysis, it is assumed that each area board's level of expenditure would remain unaltered if it was operating independently.

Currently, the School Board incurs a negative grant from the provincial government for ordinary expenditures in the elementary panel. A negative grant occurs because the local share of the area school board (which is the taxable assessment of an area municipality times the equalized mill rate set by the provincial government) is greater than the recognized ordinary expenditure. Negative grants are subtracted from other grants paid to the School Board.

EXHIBIT 6

Comparison of General Legislation Grants Payable to Metropolitan Toronto Public School Boards Calculated as One Board with Grants Payable to Area Boards Calculated Individually (1987 Budget)

	Calculated As One Board	Calculated Individually						
Elementary Grants	$	East York $	Etobicoke $	North York $	Scarborough $	Toronto $	York $	Total $
Ordinary Expenditure	(45,721,754)	3,995,468	(17,518,056)	(10,392,199)	50,701,043	(84,191,414)	8,573,904	(48,831,254)
Special Education	37,232,091	1,781,641	4,391,916	8,255,482	10,850,690	9,773,310	2,056,570	37,109,609
French as a 1st Language	196,000	Ø	Ø	72,030	Ø	123,970	Ø	196,000
French as a 2nd Language	4,648,909	288,360	362,152	1,045,161	2,068,280	81,401	415,854	4,261,208
Heritage Languages	3,407,340	165,053	95,656	923,420	Ø	1,898,107	325,104	3,407,340
Extraordinary Expenditure	5,140,908	199,953	595,094	1,372,947	1,750,848	55,273	324,758	4,298,873
Capital Projects	601,445	Ø	Ø	Ø	963,307	Ø	122,680	1,075,987
Total - Elementary	5,504,939	6,430,475	(12,073,238)	1,276,841	66,334,168	(72,259,353)	11,808,870	1,517,763
Secondary Grants								
Ordinary Expenditure	47,947,200	4,628,373	(6,932,842)	14,747,047	53,447,148	(32,627,628)	12,987,326	46,249,424
Continuing Education	16,719,422	369,707	1,153,788	2,631,112	3,177,964	8,178,143	1,222,844	16,733,558
Special Education	16,932,121	691,761	1,889,287	3,981,665	4,577,190	4,694,812	1,067,225	16,901,940
French as a 1st Language	304,950	Ø	Ø	230,857	Ø	74,093	Ø	304,950
French as a 2nd Language	1,145,490	51,073	101,573	297,695	369,481	226,054	60,384	1,106,250
Extraordinary Expenditure	2,630,422	71,490	169,690	373,529	1,549,265	443,252	154,247	2,761,473
Capital Projects	251,643	Ø	Ø	41,470	66,960	Ø	213,339	321,769
Total - Secondary	85,931,248	5,812,404	(3,618,504)	22,303,365	63,188,008	(19,011,274)	15,705,365	84,379,364
Totals - Elem. & Sec. (A)	91,436,187	12,242,879	(15,691,742)	23,580,206	129,522,176	(91,270,627)	27,514,235	(B)85,897,127

Total Loss in Grants
If Calculated Individually - (A) Minus (B) $5,539,060

NOTE: These calculations exclude Tuition Fees and Sec. 16 (Classes in Institutions) re-imbursements.

SOURCE: THE METROPOLITAN TORONTO SCHOOL BOARD

FN775005.TAB

It is evident from Exhibit 4 that the aggregated amount of negative grants incurred by the individual school boards is greater than if received by the School Board. This difference represents $4 million less in provincial support for ordinary expenditures in the elementary panel. In the secondary panel, both Toronto and Etobicoke experience negative grants and the area boards would collectively experience approximately a $1.5 million decrease in grants for ordinary expenditures.

3.1.2 Affect on Mill Rates

The decrease in provincial grants affect area education mill rates which may also affect school board expenditures. Depending upon the magnitude of the decrease in provincial grants, education mill rates would change accordingly. However, the Robarts Commission pointed out that with greater local autonomy greater differences in programs and responses to local choices would be permitted. To this end, the priorities of the area boards could differ from those established under the present School Board system. This could result in substantial differences in expenditures and mill rates between the area municipalities. The impact of the independent operation of area boards on education mill rates is presented in Exhibit 5. It is assumed that each area board's level of expenditure would remain unaltered if it was operating independently. The change in the mill rate is indicated by each area municipality's variance from the uniform education mill rate of 159.70 mills.

The independent operation of the area boards, plus the change in provincial grants, result in large mill rate increases for those municipalities which currently benefit the greatest from the existing apportionment system; namely, York, East York and Scarborough. Without access to the assessment base across Metro Toronto, the taxpayers in these municipalities would be faced with a greater burden unless existing education expenditures are reduced. Toronto, Etobicoke and North York would experience decreases in their education mill rates.

EXHIBIT 5

Estimated Effect on Education Mill Rates of Independent Operation of Area Boards of Education in Metropolitan Toronto (1987 Budget)

		Combined Operation (Uniform Mill Rate) $	INDEPENDENT OPERATION - SEPARATE MILL RATES					
			East York $	Etobicoke $	North York $	Scarborough $	Toronto $	York $
Net Expenditure for 1987 Operations								
Area Board Budgets	Elem.	700,294,862	33,232,277	82,290,872	156,164,039	183,481,134	204,894,755	40,231,785
	Sec.	662,751,807	27,720,291	76,853,900	148,211,459	165,721,338	199,411,900	44,832,919
M.T.S.B. Budget	Elem.	45,585,341	2,453,556	4,301,278	9,568,939	11,499,280	14,573,402	3,188,886
	Sec.	23,024,517	1,020,104	2,179,952	4,483,708	5,756,484	7,986,817	1,597,452
Total		1,431,656,527	64,426,228	165,626,002	318,428,145	366,458,236	426,866,874	89,851,042
Less								
(1) Provincial Grants (from Schedule I)		91,436,187	12,242,879	(15,691,742)	23,580,206	129,522,176	(91,270,627)	27,514,235
(2) Share of M.S.S.B. Taxation		26,800,000	879,040	5,266,200	7,672,840	4,580,120	6,501,680	1,900,120
Levy (Statistical)		1,313,420,340	51,304,309	176,051,544	287,175,099	232,355,940	511,635,821	60,436,687
Weighted Assessment		8,221,063,563	270,776,799	1,179,034,625	1,829,751,002	1,266,800,413	5,408,880,983	268,819,741
Mill Rate (Statistical)		159.70	189.47	149.32	156.95	183.42	150.09	224.82
Percentage variation from M.T.S.B. Uniform Mill Rate (Statistical)		N/A	+18.6%	-6.5%	-1.7%	+14.9%	-6.0%	+40.8%
$Dollar Variation		N/A	$ 8,061,025	$ 12,238,379	$ 5,031,815	$ 30,048,506	$ 32,759,346	$ 17,505,542

NOTE: These calculations exclude M.T.S.B. and Area Board prior year surpluses and the Toronto discretionary levy. For this reason the levy and uniform mill rate shown herein differ slightly from the actual 1987 levy and statistical uniform mill rate.

SOURCE: THE METROPOLITAN TORONTO SCHOOL BOARD

N775005.TAB

The impact caused by these shifts in taxation in the area municipalities could result in the provision of different levels of education services throughout Metro Toronto. The variance in assessment per pupil by area municipality is presented in Exhibit 6. It is evident that Scarborough, York and East York have smaller assessment bases available to finance education expenditures on a comparable basis than the remaining three municipalities.

In the past few years, the rate of provincial support in Metro Toronto has dropped off considerably as the amount of assessment per pupil has substantially increased year over year. Concurrently, School Board expenditures have greatly increased at an annual rate of eight to ten percent. The sharing of the assessment base enables the less wealthy area municipalities to benefit from education programs without having to provide the full financial requirements necessary to support such expenditures.

Exhibit 5 also provides further detail with respect to the actual additional burden borne by Toronto and Etobicoke in terms of the education levy. As mentioned previously, the relative Toronto and Etobicoke contributions to the education levy are greater than their own expenditures. Without doubt, this situation is true. However, the discrepancy between their share of the education levy and their actual expenditures is not as evident as illustrated in Exhibit 2 ($112.2 million and $32.8 million respectively). The approximate amount* that Toronto and Etobicoke contribute to the other area municipalities is indicated by the last item in Exhibit 5 (i.e. $ Dollar Variation). These figures represent the amount of Toronto and Etobicoke education levies in excess of their own expenditures, less the negative grants which they would incur if operating independently ($32.8 million and $12.2 million respectively). The negative grants are currently shared amongst all area municipalities.

* These figures would only serve as approximations because the figures in Exhibit 5 are the result of a simulation which assumed that are School Board expenditures would be maintained at current levels.

EXHIBIT 6

ASSESSMENT PER PUPIL* 1986

Municipality	Elementary Enrollment	Total Rateable Weighted Assessment ($000's) Elementary	Assessment Per Pupil ($) Elementary	Secondary Enrollment	Total Rateable Weighted Assessment ($000's) Secondary	Assessment Per Pupil ($) Secondary
TORONTO	36,565.7	3,364,755.3	92,019	29,438.9	3,697,882.4	125,612
NORTH YORK	31,120.0	1,800,730.7	57,864	25,139.3	2,159,649.6	85,907
ETOBICOKE	16,671.2	1,151,457.1	69,068	12,730.0	1,381,928.0	108,557
SCARBOROUGH	41,341.7	1,229,702.2	29,744	28,552.1	1,429,905.8	50,081
YORK	7,911.8	268,471.8	33,933	6,478.9	346,347.1	53,458
EAST YORK	6,671.7	269,853.6	40,447	4,397.1	303,596.5	69,405

* Represents weighted assessment per full time equivalent resident day school pupil of average daily enrollment.

Source: Metropolitan Toronto Department of Management Services.

The ensuing result of modifying the existing basis for the apportionment of the education levy would weaken the federation concept in Metro Toronto. Those area municipalities which depend the greatest on the sharing of the assessment base across Metro Toronto would now bear the full cost of the education system that they developed over the years. The Robarts approach which condones the dissolution of the School Board would do away with the equalization of education expenditures and revenues across Metro Toronto. In its analysis of education finances, the Macdonald Commission did not consider the transfer of the funding responsibility to local school boards to be suitable at this time.

3.2 Options for Funding Education - Macdonald Commission

The Macdonald Commission examined, among other things, alternatives to the existing system of funding education based on property taxes and provincial grants. The three basic options studied by the Commission include:

Option A - The provincial share would be increased to an amount of up to 80 percent of the cost of education and the balance of 20 percent would come from property taxes from commercial and industrial assessment, effectively eliminating reliance on the residential and farm assessment.

Option B - Education in Ontario would be financed through three major sources: provincial grants from the Consolidated Revenue Fund (46%); property taxes from commercial and industrial assessment (22%); and an education tax on personal income (32%); the latter effectively replacing the existing residential and farm property taxes.

Option C - Provincial grants from the Consolidated Revenue Fund would be increased 46 percent to 60 percent, property taxes from commercial and industrial assessment would be maintained at 22 percent and property taxes from residential and farm assessment would be reduced from 32 percent to 18 percent.

In its analysis, the Macdonald Commission attempted to establish a balance of revenues to support education and to provide a fair and equitable distribution of the financial burden among Ontario taxpayers. The Commission concluded that it would be appropriate and meaningful for the provincial government to express its support by a rate based on approved recognized expenditure level, over which it may exercise control. The establishment of such an approved level of expenditure would enable the provincial government to target its own funding commitment. The Commission therefore recommended:

> "that the Government of Ontario affirm its financial commitment toward the funding of education and that it move toward contributing 60 percent of the approved costs."

Furthermore, the Commission stated that the additional provincial assistance should be used to increase existing grant ceilings.

The 60 percent provincial rate of funding of total expenditure was established during the mid-1970's before expenditure restraint programs were enacted throughout the provincial government. This level of provincial funding therefore represents the maximum level achieved. Currently, the provincial government funds approximately 46 percent of all approved and unapproved education expenditures across the Province. The current rate of provincial funding of approved education expenditures throughout the Province is 55 percent provincial and 45 percent municipal. It was noted that if existing grant ceilings were increased to cover Metro's unapproved expenditures, the area school boards may spend the extra money rather than using it to reduce the education portion of the property tax.

The Sub-Committee reviewed the basic education funding structures in each of the provinces across Canada. The funding structures ranged from complete funding of elementary and secondary school expenditures by the provincial government in both New Brunswick and Prince Edward Island, to a variety of shared levels between provincial and local municipal governments in the rest of the provinces.

The Macdonald Commission does not see full provincial funding as a viable option for Ontario in the immediate future. However, education is a provincial responsibility and recent provincial contributions, in the form of grants to the Metropolitan Toronto School Board, represent a failure in the provincial government's responsibilities to the taxpayer.

In the context of additional provincial support as mentioned earlier, Metro Council endorses this recommendation and has conveyed the need for such assistance to the provincial government. The Sub-Committee supports Metro Council's request of the provincial government to assume a greater and more equitable share of elementary and secondary school funding. Presently, the Metropolitan Toronto Liaison Committee is attempting to resolve some of the concerns that Metro Council has with respect to rising education costs in Metro Toronto.

3.3 Province Wide Pooling of Commercial and Industrial Assessment

In its response to the recommendations of the Macdonald Commission, the Ministry of Education has considered the pooling of commercial and industrial assessment across the Province for the purpose of financing primary and secondary school expenditures. The intent of pooling is to enrich education assistance across the Province. Pooling would essentially make the corporate assesment bases of the large urban centres available to the school boards in smaller and rural municipalities which do not have access to similar resources.

Should pooling be established, the existing basis of calculating the general legislative grants provided by the provincial government would change. Provincial grants make up the difference between a school board's recognized expenditure and the revenue raised by applying a provincially determined mill rate on equalized assessment supporting the board. The operating expenditure eligible for grant assistance is the lesser of the school board's actual operating expenditure and a fixed amount per pupil known as grant ceilings. Currently, the provincial government provides funding up to the amount of $2,710 per elementary pupil and $3,621 per secondary pupil per school year. Expenditures which are in excess of grant ceilings or represent expenditures not recognized by the provincial government are financed through a locally set mill rate applied to the municipality's residential, commercial and industrial assessment base.

According to the pooling scheme, the provincial government's calculation of the grant ceilings would reflect the aggregation of commercial and industrial assessment across the Province. Expenditures in excess of these ceilings would be financed by requisitioning additional revenues from the municipality's residential and farm assessment.

Under a pooling arrangement, the Metro Toronto School Board is seen as a "have board" and would have to transfer its wealthy commercial and industrial assessment base (which comprises approximately 48 percent of its taxable assessment) to the "provincial pot" in order to benefit those less wealthy school boards across the Province. The sharing of commercial and industrial assessment for grant purposes would imply that the Metro Toronto School Board would have access to less property tax revenue - no longer having a commercial-industrial assessment base and consequently, would receive more provincial grants. Without access to its commercial/industrial assessment, Metro Toronto's education mill rates would experience increases. Education programs would undoubtedly be reduced in order to minimize the increase in tax burden.

Currently, both Toronto and Etobicoke are funding a greater portion of primary and secondary school expenditures in Metro Toronto than their own expenditures. However, with pooling, all Metro Toronto area municipalities would be paying more than their required school boards' needs, in order to equalize financial resources across the Province.

Although the provincial government is considering the use of pooling to correct inequities in financial resources across the Province, it would be infringing upon the local autonomy of school boards. Perhaps nowhere else in Ontario is school board autonomy as prevelant as in Metro Toronto with approximately 92 percent of school board expenditures financed from property taxes. The Sub-Committee raised concerns about the province wide pooling of commercial-industrial assessment as an alternative means towards funding education in Metro Toronto. It should be noted that the Metropolitan Separate School Board supports a pooling concept and did not share this concern with the other members of the Sub-Committee.

4. CONCLUSION

The Sub-Committee reviewed the findings of various Commissions which examined possible alternative funding arrangements for education purposes in Ontario. In particular, the Robarts Commission and the Macdonald Commission were addressed. The Robarts Commission proposed the dissolution of the Metropolitan Toronto School Board, but the ensuing abandonment of uniform Metro-wide mill rates would have serious consequences across Metro. Such a change would invoke a significant fiscal impact upon those area municipalities which currently benefit from the apportionment system.

The recommendations of the Macdonald Commission point towards greater participation by the provincial government in the funding of education - a request which Metro Council has made repeatedly. However, the pooling of

commercial and industrial assessment across the Province would significantly increase mill rates in Metro Toronto and would seriously hamper the financing of existing programs by the area school boards.

In order to benefit all the area municipalities and not impact any one area municipality negatively, the Sub-Committee views that the provincial government must assume a greater role in the funding of education.